PPP experience, current challenges and opportunities

Clemente del Valle
Key success factors

1. PPP Framework
   - PPP Law
   - Infrastructure Law

2. Institutional Framework
   - PPP Agency - ANI
   - Specialized Development bank - FDN

3. PPP standardized contract consensual with the private sector

4. Financial support

- Program objective is to link main ports with major cities
- Covers more than 6,500 KM
- Over USD 18 BN in debt + equity
- 32 PPP road projects approved
### PPP Framework

#### Key elements

<table>
<thead>
<tr>
<th>Effective awarding process</th>
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<tbody>
<tr>
<td>• Prequalification with emphasis on financial capacity and experience</td>
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<tr>
<td>• Competitive dialogue to leverage private experience to improve project designs</td>
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<td>• Availability payments only variable used in the award process</td>
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<table>
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<th>Risk distribution</th>
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<tr>
<td>• Transfer of financing risks to the private sector (Debt-Equity: 70% - 30%)</td>
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<td>• Transfer of construction risks to the private sector (except for tunnels)</td>
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<tr>
<td>• Shared risks: Traffic and cost overruns for Tunnels, Networks, Environmental Licenses, and Land Acquisition</td>
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<th>Payment scheme</th>
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<td>• Divided in Functional Units</td>
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<tr>
<td>• Payment subject to compliance with indicator for availability, service levels and quality standards</td>
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<tr>
<td>• Two main income sources: Tolls and Government Contributions (availability payments)</td>
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Financial Support

Strategy for resource mobilization using FDN as a catalyst

LOCAL BANKS
- Expansion of the legal lending limit

INTERNATIONAL BANKS AND MULTILATERALS
- Road shows (New York, London, Miami, Toronto)
- Inclusion of Future budgetary allocations in dollars

INSTITUTIONAL INVESTORS
- Support in the creation of private debt funds
- Inclusion of infrastructure debt funds as an investment category
- FDN Credit Enhancements

• Participation in the 4G standard contract draft
• Maximum FDN participation between 25% and 30% per project
• Promotion of Project Finance international standards
Participation of multiple sources

Local Banks
- Mobilization of 8 banks
- USD 2.3 BN commitments
- Between 4 and 8 transactions approved

Institutional Investors
- Participation from construction stage
- USD 849 MM mobilized
  - USD 208 MM thought Infra Debt Funds (USD 1 BN commitments in 2 debt funds)
  - USD 641 MM International Bond Issuance

International financing
- Mobilization of 8 institutions
- USD 1 BN commitments
- Potential participation of 7 more institutions

8 financial closings
USD 4.6 BN of CAPEX

31 projects awarded
23 with financial commitment letters
CASES: PACIFICO 3 AND COSTERA

Bookrunner: Goldman Sachs

Credit enhancer: Fitch

BBB- Rating

USD 392.3 mn equivalent Due 2035

Buyers' Composition

USD Series
- Latin America: 48%
- US: 31%
- Europe: 21%
- Offshore: 35%

USD 260 mn

UVR Series
- Local: 65%
- Offshore: 35%

USD 132.3 mn equivalent

USD 237 mn equivalent Due 2034

Buyers' Composition

USD Series
- Colombia: 52%
- US: 22%
- Europe: 27%
- Regional: 5%

USD 158.0 mn

UVR Series
- Colombia: 36%
- US: 22%
- Europe: 38%
- Regional: 4%

USD 79.0 mn equivalent
Mobilization of new sources

- **First Capital Market issuances** of 2 Colombian infrastructure projects in international markets with a BBB– rating. **FDN credit enhancement instrumental for investment grade status.**

- **Generation of new leading player—Infrastructure Debt Funds:**
  - 2 Funds closed: USD 1 BN (USD 500 MM each)
  - 2 in fund-raising phase with a potential for approx. USD 0.7 BN
  - **FDN promoted the creation**
Current Challenges

- **Local currency lending** by international players

- Adapt to new **Basel restrictions** of long term financing

- **Equity mobilization**

- Deepen **local institutional investors’ capacities**

- Continue with a **pipeline generation** for social and subnational urban sectors.

Education USD 280 mn, health infrastructure USD 525 mn, Ciudad Rio USD 7 bn, Bogota Metro USD 3bn
Pipeline for all sectors

2022

Pipeline distribution by sector

Total: USD 114.348 MN

- Energy: 24%
- Transport: 71%
- Social Infrastructure: 1%
- W&S: 4%

Transport Pipeline distribution by subsector

Total: USD 81.476 MN

- Urban Transport: 28%
- Roads: 36%
- Urban Access: 16%
- Airports: 5%
- Ports: 10%
- River: 1%
- Railroad: 4%

Source: FDN
Thank you